

VILLAGE OF SHERWOOD

AUDIT REPORT

MARCH 31, 2006

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

| | | | |
|--|-----------------------------------|---|------------------|
| Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other | | Local Unit Name VILLAGE OF SHERWOOD | County BRANCH |
| Fiscal Year End MARCH 31, 2006 | Opinion Date SEPTEMBER 6, 2006 | Date Audit Report Submitted to State SEPTEMBER 7, 2006 | |

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

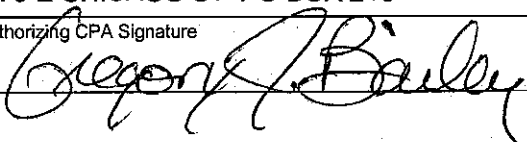
US
> 2

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

| | | | |
|--|-------------------------------------|--|-------------|
| We have enclosed the following: | Enclosed | Not Required (enter a brief justification) | |
| Financial Statements | <input checked="" type="checkbox"/> | | |
| The letter of Comments and Recommendations | <input checked="" type="checkbox"/> | | |
| Other (Describe) | <input type="checkbox"/> | | |
| Certified Public Accountant (Firm Name) BAILEY, HODSHIRE & COMPANY, PC | | Telephone Number (517) 849-2410 | |
| Street Address 479 E CHICAGO ST PO BOX 215 | | City JONESVILLE | State MI |
| Zip 49250 | | | |
| Authorizing CPA Signature  | Printed Name GREGORY J BAILEY | License Number 1101022915 | |

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Bailey, Hodshire
& Company, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Village Council
Village of Sherwood
Sherwood, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of the Village of Sherwood, as of and for the year ended March 31, 2006, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Sherwood's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Village of Sherwood, as of March 31, 2006, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Village has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as of March 31, 2006.

The management's discussion and analysis and budgetary comparison information on pages 2 through 5 and pages 19 through 25, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Bailey, Hodshire + Company, P.C.
Jonesville, Michigan
September 6, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Village of Sherwood's annual financial report presents the Management's Discussion and Analysis (MD&A) of the Village's financial activities during the fiscal year ended March 31, 2006. The analysis focuses on the Village's financial performance as a whole. It is intended to be read as part of the Village's financial statements, which immediately follow this section.

Because the Village of Sherwood is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the Village's financial position and results of operations.

FINANCIAL HIGHLIGHTS

- The assets of the Village of Sherwood exceeded its liabilities at March 31, 2006, by \$271,076. Of this amount, \$181,225 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors. The net assets of the Village increased by \$26,624 during the year.
- In 2005, the Village Council committed to cold milling and resurfacing North and South Main Street in Sherwood. This was an ISTEA Project and 80% of the construction costs were grant monies from ISTEA. The financial commitment on the part of the Village was estimated to be \$27,700 for engineering services and \$39,000 for the 20% remaining on the construction costs. During fiscal year 2005-06, \$15,299 was paid out, leaving an estimated balance of \$51,401. The Village Council budgeted \$52,000 for these costs in their 2006-07 budget.

USING THIS REPORT

The annual report consists of a series of financial statements including other requirements as follows:

1. Management's Discussion & Analysis introduces the basic financial statements and provides an analytical overview of the Village's financial activities.
2. Government-wide financial statements consist of a *statement of net assets* and a *statement of activities*. These provide information about the activities of the Village as a whole and represent an overall view of the Village's finances.
3. Fund financial statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Village's operations in more detail than the government-wide financial statements by providing information about the most significant funds.
4. Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.
5. Required supplementary information, other than the MD&A, provides information about the required budgetary comparison information.

REPORTING THE VILLAGE AS A WHOLE

The government-wide financial statements report information about the Village as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the Village's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

One of the most important questions asked about the Village's finances is: Is the Village as a whole better off or worse off as a result of the year's activities? The statement of net assets and the statement of activities report

MANAGEMENT'S DISCUSSION AND ANALYSIS

information on the Village as a whole and its activities in a way that helps answer this question. These statements include *all* assets and liabilities, using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. The two statements report the Village's *net assets* - - the difference between assets and liabilities - - as one way to measure the Village's financial health, or financial position. Over time, increases or decreases in the Village's net assets are one indicator of whether its financial health is improving or deteriorating. Additional factors such as changes in the Village's property tax base and the condition of the Village's infrastructure are also important in making this decision.

REPORTING THE VILLAGE'S MOST SIGNIFICANT FUNDS

The fund financial statements provide detailed information about the Village's most significant funds, not the Village as a whole. Some funds are required to be established by state law and by bond covenants. The Village may establish other funds to account for and manage revenue and expenditures that are related to specific projects (i.e. capital improvements), grants or other purposes.

Governmental Funds - All of the Village's basic services are included in governmental funds. They focus on how money flows into and out of the funds and the balances at year-end that are available for spending. Governmental funds include the General Fund, Special Revenue Funds (Major Street and Local Street) and the Capital Projects Fund. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The government fund statements provide a detailed, short-term view of the Village's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Village's programs.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. The following table shows the Village's net assets as of March 31, 2006:

| | |
|---|--------------------------|
| ASSETS | |
| Current assets | \$ 187,328 |
| Capital assets, net of accumulated depreciation | <u>89,851</u> |
| Total assets | <u>\$ 277,179</u> |
| LIABILITIES | |
| Current liabilities | \$ 6,103 |
| Long-term liabilities | <u>0</u> |
| Total liabilities | <u>\$ 6,103</u> |
| NET ASSETS | |
| Invested in capital assets, net of related debt | \$ 89,851 |
| Restricted | 0 |
| Unrestricted | <u>181,225</u> |
| Total net assets | <u><u>\$ 271,076</u></u> |

MANAGEMENT'S DISCUSSION AND ANALYSIS

A portion of the Village's net assets is invested in capital assets (e.g. land, infrastructure, buildings, and equipment), less related debt (if any). Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Total unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints, is \$181,225.

The following table provides the Village's change in net assets for the year ended March 31, 2006:

| | |
|------------------------------------|------------------|
| Program revenue | |
| Charges for services | \$ 1,920 |
| Operating grants and contributions | 0 |
| Capital grants and contributions | 0 |
| General revenue | |
| Property taxes | 17,825 |
| State Shared Revenue | 70,283 |
| Other | 4,830 |
| Total revenue | <u>\$ 94,858</u> |
| Expenses | |
| Legislative | \$ 16,804 |
| General government | 11,146 |
| Public safety | 8,523 |
| Public works | 26,954 |
| Parks and recreation | 4,807 |
| Total expenses | <u>\$ 68,234</u> |
| INCREASE(DECREASE) IN NET ASSETS | <u>\$ 26,624</u> |

INDIVIDUAL GOVERNMENTAL FUND ANALYSIS

As the Village of Sherwood completed its year, its governmental funds reported a total fund balance of \$181,225, which is more than the \$176,063 fund balance at March 31, 2005.

- The General Fund, the operating fund for the Village, ended the year with a \$57,285 fund balance, compared to the prior year ending fund balance of \$55,896.
- Major Street Fund Balance increased by \$183.
- Local Street Fund Balance increased by \$3,292.
- Capital Projects Fund Balance increased by \$298.

BUDGETARY HIGHLIGHTS

During the year ended March 31, 2006, the Village Council voted to spend monies that were not authorized in the budget. The budget was amended in May, 2006, by a vote of the Village Council. These amendments were an increase of \$820 for sidewalks, \$875 for roof repair on the Village barn, and \$2,287 for a new fence in the Park. In the future, when the Village Council authorizes monies to be spent that are not budgeted, the motion will include an amendment to the budget.

MANAGEMENT'S DISCUSSION AND ANALYSIS

CAPITAL ASSETS AND DEBT ADMINISTRATION

The Village's investment in capital assets, including land, buildings and improvements, equipment, roadways and other infrastructure represents the value of the resources utilized to provide services to citizens. Capital assets totaled \$89,851 (net of accumulated depreciation) at March 31, 2006. See the notes to the financial statements for more information about the Village's capital assets. The major capital outlays for the year included \$8,320 for the new sidewalks, \$2,287 for new fencing at the park, and \$15,299 for engineering fees on the Main Street project.

ECONOMIC FACTORS

During the next fiscal year, the Main Street construction project will be completed. The other big item that the Village Council is facing is that of a new roof on the Village Hall. The Council has budgeted \$15,000 for the new roof. They have also budgeted \$5,000 for new sidewalks. \$18,500 is to be transferred from the Capital Projects Fund to help fund these items. The Village Council is trying very hard to be prudent with their money as Revenue Sharing from the State has had some minor cutbacks, and the cost of energy has gone up.

CONTACTING THE VILLAGE'S MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, investors, creditors, and other interested parties with a general overview of the Village's finances and operating activities. If you have any questions or require additional information, please contact the Village of Sherwood, P.O. Box 182, Sherwood, Michigan 49089.

BASIC FINANCIAL STATEMENTS

VILLAGE OF SHERWOOD
STATEMENT OF NET ASSETS
MARCH 31, 2006

| | Governmental <u>Activities</u> |
|---|-----------------------------------|
| ASSETS | |
| Current assets | |
| Cash and cash equivalents | \$ 168,339 |
| Due from other governmental units | 12,293 |
| Prepaid expenses | <u>6,696</u> |
| Total current assets | <u>\$ 187,328</u> |
| Noncurrent assets | |
| Capital assets | |
| Land | \$ 11,300 |
| Buildings and improvements | 46,292 |
| Equipment | 29,956 |
| Vehicles | 8,400 |
| Infrastructure | 46,126 |
| Less: accumulated depreciation | <u>(67,522)</u> |
| Net capital assets | \$ 74,552 |
| Construction in progress | <u>15,299</u> |
| Total noncurrent assets | <u>\$ 89,851</u> |
| Total assets | <u>\$ 277,179</u> |
| LIABILITIES | |
| Current liabilities | |
| Accounts payable | \$ 5,117 |
| Payroll taxes payable | <u>986</u> |
| Total liabilities | <u>\$ 6,103</u> |
| NET ASSETS | |
| Invested in capital assets, net of related debt | \$ 89,851 |
| Unrestricted | <u>181,225</u> |
| Total net assets | <u>\$ 271,076</u> |
| Total liabilities and net assets | <u>\$ 277,179</u> |

See accompanying notes to the basic financial statements.

VILLAGE OF SHERWOOD
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2006

| <u>Functions/Programs</u> | <u>Expenses</u> | <u>Program Revenues</u> | | | <u>Net (Expense) Revenue</u> |
|--|------------------|---------------------------------|---|---|--------------------------------------|
| | | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | <u>Capital Grants and Contributions</u> | |
| Primary government: | | | | | |
| Governmental activities: | | | | | |
| Legislative | \$ 16,804 | \$ 0 | \$ 0 | \$ 0 | \$ (16,804) |
| General government | 11,146 | 0 | 0 | 0 | (11,146) |
| Public safety | 8,523 | 325 | 0 | 0 | (8,198) |
| Public works | 26,204 | 0 | 0 | 0 | (26,204) |
| Parks and recreation | <u>4,807</u> | <u>845</u> | <u>0</u> | <u>0</u> | <u>(3,962)</u> |
| Total governmental activities | \$ <u>67,484</u> | \$ <u>1,170</u> | \$ <u>0</u> | \$ <u>0</u> | \$ <u>(66,314)</u> |
| General revenue: | | | | | |
| Property taxes levied for general purposes | | | | | \$ 17,825 |
| State shared revenue | | | | | 70,283 |
| Unrestricted investment income | | | | | 1,288 |
| Miscellaneous | | | | | <u>3,542</u> |
| Total general revenue | | | | | \$ <u>92,938</u> |
| Change in net assets | | | | | \$ 26,624 |
| Net assets - beginning | | | | | <u>244,452</u> |
| Net assets - ending | | | | | <u>\$ 271,076</u> |

See accompanying notes to the basic financial statements.

VILLAGE OF SHERWOOD
BALANCE SHEET
GOVERNMENTAL FUNDS
MARCH 31, 2006

| | General | Major Streets | Local Streets | Capital Projects | Total Governmental Funds |
|-------------------------------------|------------------|------------------|------------------|---------------------|--------------------------------|
| ASSETS | | | | | |
| Cash & cash equivalents | \$ 51,195 | \$ 82,480 | \$ 8,745 | \$ 25,919 | \$ 168,339 |
| Due from other governmental units | 5,497 | 5,498 | 1,298 | 0 | 12,293 |
| Prepaid expenditures | <u>6,696</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>6,696</u> |
| Total assets | <u>\$ 63,388</u> | <u>\$ 87,978</u> | <u>\$ 10,043</u> | <u>\$ 25,919</u> | <u>\$ 187,328</u> |
| LIABILITIES | | | | | |
| Accounts payable | \$ 5,117 | \$ 0 | \$ 0 | \$ 0 | \$ 5,117 |
| Payroll taxes payable | <u>986</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>986</u> |
| Total liabilities | <u>\$ 6,103</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 6,103</u> |
| FUND BALANCES | | | | | |
| Unreserved | <u>\$ 57,285</u> | <u>\$ 87,978</u> | <u>\$ 10,043</u> | <u>\$ 25,919</u> | <u>\$ 181,225</u> |
| Total liabilities and fund balances | <u>\$ 63,388</u> | <u>\$ 87,978</u> | <u>\$ 10,043</u> | <u>\$ 25,919</u> | <u>\$ 187,328</u> |

The accompanying notes are an integral part of this statement.

VILLAGE OF SHERWOOD
Reconciliation of Fund Balances on the Balance Sheet
for Governmental Funds to Net Assets of
Governmental Activities on the Statement of Net Assets
March 31, 2006

| | |
|--|------------|
| Fund Balances - total governmental funds | \$ 181,225 |
|--|------------|

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial
resources and therefore are not reported in the funds.

| | |
|---------------------|---------|
| Add: capital assets | 157,373 |
|---------------------|---------|

| | |
|----------------------------------|-----------------|
| Deduct: accumulated depreciation | <u>(67,522)</u> |
|----------------------------------|-----------------|

| | |
|---------------------------------------|-------------------|
| Net assets of governmental activities | <u>\$ 271,076</u> |
|---------------------------------------|-------------------|

The accompanying notes are an integral part of this statement.

VILLAGE OF SHERWOOD
STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED MARCH 31, 2006

| | General | Major Streets | Local Streets | Capital Projects | Total Governmental Funds |
|---|------------------|------------------|------------------|---------------------|--------------------------------|
| REVENUE | | | | | |
| Property taxes | \$ 17,825 | \$ 0 | \$ 0 | \$ 0 | \$ 17,825 |
| State shared revenue | 33,210 | 29,994 | 7,079 | 0 | 70,283 |
| Charges for services | 750 | 0 | 0 | 0 | 750 |
| Interest income | 170 | 789 | 31 | 298 | 1,288 |
| Licenses, permits, and fees | 325 | 0 | 0 | 0 | 325 |
| Rent | 13,497 | 0 | 0 | 0 | 13,497 |
| Miscellaneous | <u>442</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>442</u> |
| Total revenue | <u>\$ 66,219</u> | <u>\$ 30,783</u> | <u>\$ 7,110</u> | <u>\$ 298</u> | <u>\$ 104,410</u> |
| EXPENDITURES | | | | | |
| Legislative | \$ 16,804 | \$ 0 | \$ 0 | \$ 0 | \$ 16,804 |
| General government | 10,580 | 0 | 0 | 0 | 10,580 |
| Public safety | 8,523 | 0 | 0 | 0 | 8,523 |
| Public works | 22,320 | 30,600 | 3,818 | 0 | 56,738 |
| Parks | <u>6,603</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>6,603</u> |
| Total expenditures | <u>\$ 64,830</u> | <u>\$ 30,600</u> | <u>\$ 3,818</u> | <u>\$ 0</u> | <u>\$ 99,248</u> |
| REVENUE OVER (UNDER) EXPENDITURES | <u>\$ 1,389</u> | <u>\$ 183</u> | <u>\$ 3,292</u> | <u>\$ 298</u> | <u>\$ 5,162</u> |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Operating transfers in | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| Operating transfers out | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| Total other financing sources (uses) | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> |
| NET CHANGE IN FUND BALANCES | \$ 1,389 | \$ 183 | \$ 3,292 | \$ 298 | \$ 5,162 |
| FUND BALANCES - Beginning | <u>55,896</u> | <u>87,795</u> | <u>6,751</u> | <u>25,621</u> | <u>176,063</u> |
| FUND BALANCES - Ending | <u>\$ 57,285</u> | <u>\$ 87,978</u> | <u>\$ 10,043</u> | <u>\$ 25,919</u> | <u>\$ 181,225</u> |

The accompanying notes are an integral part of this statement.

VILLAGE OF SHERWOOD
Reconciliation of Statement of Revenue, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended March 31, 2006

| | |
|---|----------|
| Net changes in fund balances - total governmental funds | \$ 5,162 |
|---|----------|

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures, however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

| | |
|---------------------|--------|
| Add: capital outlay | 25,906 |
|---------------------|--------|

| | |
|------------------------------|----------------|
| Deduct: depreciation expense | <u>(4,444)</u> |
|------------------------------|----------------|

| | |
|---|------------------|
| Change in net assets of governmental activities | <u>\$ 26,624</u> |
|---|------------------|

The accompanying notes are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

VILLAGE OF SHERWOOD
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Village of Sherwood comprises a population of approximately 324 residents in Branch County, Michigan. It operates under the Council-President form of government and provides the following services as authorized by its charter: public safety, highways and streets, sanitation, parks and recreation, public improvements, planning and zoning, and general administrative services.

The accounting policies of the Village of Sherwood conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). In June, 1999, the GASB approved Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments*. Certain of the significant changes in the Statement include the following:

- For the first time, the financial statements include:
 - A Management Discussion and Analysis (MD&A) section providing an analysis of the Village's overall financial position and results of operations.
 - Financial statements prepared using full accrual accounting for all of the Village's activities, including fixed assets (buildings, equipment, vehicles, etc.) and infrastructure (roads, bridges, etc.)
- A change in the fund financial statements to focus on major funds.

The Village has elected to implement the provisions of the Statement in the current year; therefore, these and other changes are reflected in the accompanying financial statements and notes to the financial statements.

The following is a summary of significant accounting policies used by the Village of Sherwood:

Government-Wide and Fund Financial Statements

Government-Wide Financial Statements - The statement of net assets and the statement of activities display financial information about the Village as a whole, excluding fiduciary activities. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Village's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the function and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Property taxes, State Revenue Sharing, and other items not properly included among program revenues are reported as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Village.

Fund Financial Statements - Fund financial statements report detailed information about the Village. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds (if any) are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

VILLAGE OF SHERWOOD
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus and Basis of Accounting

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting including the reclassification or elimination of internal activity (between or within funds). Revenue is recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is to be collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if it is collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when the liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Under the modified accrual basis, property taxes, State revenue sharing, interest, and grants are considered to be both measurable and available at fiscal year-end. Grants received before the eligibility requirements are met are recorded as deferred revenue.

Financial Statement Presentation

The Village uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain Village functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

The Village reports the following major governmental funds:

General Fund - used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the laws of the State of Michigan.

Special Revenue Funds - used to account for the proceeds of specific revenue sources (other than special assessments, expendable trust, or major capital projects) that are legally restricted to expenditures for specified purposes (i.e. Major Streets and Local Streets).

Capital Projects Fund - used to account for the acquisition of fixed assets or construction of major capital projects.

Assets, Liabilities, and Net Assets

Bank Deposits and Investments - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less.

Capital Assets - General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their

VILLAGE OF SHERWOOD
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

fair market values as of the date received. The Village maintains a capitalization threshold of \$1,500. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not. Interest incurred during the construction of capital assets is also capitalized.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related assets. Depreciation is computed using the straight-line method over the following useful lives:

| <u>Description</u> | <u>Estimated Lives</u> |
|--------------------------|------------------------|
| Buildings & improvements | 40 years |
| Furniture & equipment | 5 - 15 years |
| Infrastructure | 20 years |

Interfund Balances - On fund financial statements, receivables and payables resulting from short-term interfund loans are reported as "due to/from other funds." These amounts are eliminated on the government-wide statement of net assets.

Fund Balance - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Interfund Activity - Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information - The budgetary process is prescribed by provisions of the State of Michigan Budget Act and entails the preparation of budgetary documents within an established timetable. The legal level of budgetary control has been established by the Village Council at the line-item level. Any budgetary modifications may only be made by resolution of the Village Council. All annual appropriations lapse at fiscal year end.

The Village follows these procedures in establishing the budgets for the individual funds as reflected in the financial statements:

- 1) Prior to March 31, the Village Council proposes budgets for the fiscal year commencing on April 1.
- 2) A public hearing is conducted during February to obtain taxpayer comments.
- 3) Prior to March 31, the budget is legally enacted through passage of a resolution.
- 4) For purposes of meeting emergency needs of the Village, transfer of appropriations may be made by the authorization of the Village Council.
- 5) The Village Council is charged with general supervision of the budget and shall hold the department heads responsible for performance of their responsibilities.

VILLAGE OF SHERWOOD
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)

- 6) During the year the budget is monitored, and amendments to the budget resolution are made when deemed necessary.

During the year, the Village incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated, as follows:

| <u>Fund</u> | <u>Description</u> | <u>Budget</u> | <u>Actual</u> | <u>Variance</u> |
|---------------|---|---------------|---------------|-----------------|
| General | Village Council - workers' compensation | 80 | 81 | 1 |
| " | Village Council - supplies | 350 | 579 | 229 |
| " | Village Council - dues and subscriptions | 500 | 529 | 29 |
| " | President - salary | 1,236 | 1,668 | 432 |
| " | President - payroll taxes | 95 | 128 | 33 |
| " | Clerk - workers' compensation | 22 | 25 | 3 |
| " | Planning/Zoning - administrator | 3,090 | 3,106 | 16 |
| " | Public Works - workers' compensation | 35 | 36 | 1 |
| " | Public Works - equipment rental | 0 | 52 | 52 |
| " | Public Works - gas and oil | 600 | 1,471 | 871 |
| " | Public Works - repairs and maintenance | 1,875 | 1,995 | 120 |
| " | Parks - workers' compensation | 50 | 65 | 15 |
| " | Parks - equipment rental | 175 | 177 | 2 |
| " | Parks - utilities | 200 | 258 | 58 |
| " | Parks - repairs and maintenance | 600 | 632 | 32 |
| Major Streets | Street construction - contracted services | 0 | 15,299 | 15,299 |
| " | Routine maintenance - salaries and wages | 2,900 | 3,124 | 224 |
| " | Routine maintenance - payroll taxes | 222 | 234 | 12 |
| " | Routine maintenance - supplies | 800 | 1,403 | 603 |
| " | Routine maintenance - equipment rental | 5,500 | 6,792 | 1,292 |
| " | Winter maintenance - workers' compensation | 40 | 41 | 1 |
| " | Administration - workers' compensation | 35 | 53 | 18 |
| " | Administration - record keeping | 650 | 832 | 182 |
| Local Streets | Routine maintenance - equipment rental | 1,500 | 1,535 | 35 |
| " | Routine maintenance - workers' compensation | 10 | 26 | 16 |

NOTE 3 - DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91 (Public Act 20 of 1943, as amended), authorizes the Village to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan. The Village's investment policy makes no further limitation on investments. As of March 31, 2006, the Village's deposits are in accordance with statutory authority.

VILLAGE OF SHERWOOD
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

NOTE 3 - DEPOSITS AND INVESTMENTS (continued)

Deposits

Following are the components of the Village's bank deposits at March 31, 2006:

| | |
|-------------------------|-------------------|
| Checking accounts | \$ 122,420 |
| Savings account | 14,926 |
| Certificates of deposit | <u>30,993</u> |
| Total | <u>\$ 168,339</u> |

Custodial credit risk of deposits is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. The Village does not have a deposit policy for custodial credit risk. At March 31, 2006, the carrying amount of the Village's deposits was \$168,339 and the bank balance was \$170,464. Of the bank balance, \$166,178 was covered by federal depository insurance and \$4,286 was uninsured. The Village believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Village evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution. Only those institutions with an acceptable estimated risk level are used as depositories.

Investments

There were no investments held during the year.

NOTE 4 - RECEIVABLES

Receivables at March 31, 2006, consist of State revenue sharing and the Sherwood Township library contribution. All receivables are considered collectible in full.

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended March 31, 2006, was as follows:

| <u>Governmental Activities</u> | <u>Beginning Balance</u> | <u>Additions</u> | <u>Deletions</u> | <u>Ending Balance</u> |
|---|------------------------------|------------------|------------------|---------------------------|
| Capital assets not being depreciated | | | | |
| Land | \$ 11,300 | \$ 0 | \$ 0 | \$ 11,300 |
| Construction in progress | <u>0</u> | <u>15,299</u> | <u>0</u> | <u>15,299</u> |
| Total | <u>\$ 11,300</u> | <u>\$ 15,299</u> | <u>\$ 0</u> | <u>\$ 26,599</u> |
| Capital assets being depreciated | | | | |
| Buildings & Improvements | \$ 46,292 | \$ 0 | \$ 0 | \$ 46,292 |
| Equipment | 27,669 | 2,287 | 0 | 29,956 |
| Vehicles | 8,400 | 0 | 0 | 8,400 |
| Infrastructure | 37,806 | 8,320 | 0 | 46,126 |
| Less accumulated depreciation | <u>(63,078)</u> | <u>(4,444)</u> | <u>0</u> | <u>(67,522)</u> |
| Total capital assets being depreciated, net | <u>\$ 57,089</u> | <u>\$ 6,163</u> | <u>\$ 0</u> | <u>\$ 63,252</u> |
| Total capital assets, net | <u>\$ 68,389</u> | <u>\$ 21,462</u> | <u>\$ 0</u> | <u>\$ 89,851</u> |

VILLAGE OF SHERWOOD
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

NOTE 5 - CAPITAL ASSETS (continued)

Depreciation expense was charged to functions/programs of the Village as follows:

| | |
|--------------------|-----------------|
| General government | \$ 566 |
| Public works | 3,387 |
| Parks | <u>491</u> |
| Total | <u>\$ 4,444</u> |

NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

There were no amounts due between funds at March 31, 2006.

NOTE 7 - PROPERTY TAXES

Real estate and personal property taxes are recorded as revenue in amounts equal to the total taxes levied. The total levy for 2005 was 7.0 mills on a total state taxable value of approximately \$2,520,000. Village properties are assessed as of July 31 (the lien date) - taxes levied July 1 of the succeeding year and are due without interest to September 15. After the final collection date, unpaid real property taxes are added to the county delinquent tax rolls. Personal property taxes unpaid continue to be collected by the Village Treasurer.

NOTE 8 - RISK MANAGEMENT

The Village is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries. The Village has purchased commercial insurance for each of these areas of risk. There have been no significant reductions in insurance coverages, and settled claims have not exceeded the amount of insurance coverage for the current or the three prior years.

NOTE 9 - COMMITMENTS

As of March 31, 2006, the Village had committed to the resurfacing of North and South Main Street in conjunction with the Michigan Department of Transportation and funding from the Intermodal Surface Transportation Efficiency Act (ISTEA). The total cost of the project is estimated to be \$222,700, with \$156,000 coming from ISTEA funds and \$66,700 from Village funds (\$15,299 in Village funds were spent during 2005-06). Construction began in May, 2006, and is expected to be completed within the 2006-07 fiscal year.

NOTE 10 - RESTATEMENTS

As of and for the year ended March 31, 2006, the Village implemented the following Governmental Accounting Standards Board pronouncements:

Statements

No. 33 - *Accounting and Financial Reporting for Nonexchange Transactions*

No. 34 - *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments.*

No. 36 - *Recipient Reporting for Certain Shared Nonexchange Revenues - An Amendment of GASB No. 33*

No. 37 - *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*

No. 38 - *Certain Financial Statement Disclosures*

Interpretations

No. 6 - *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*

VILLAGE OF SHERWOOD
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

NOTE 10 - RESTATEMENTS (continued)

As a result of implementing these pronouncements for the year ended March 31, 2006, the following restatements were made to the beginning fund balance and net asset accounts:

| | |
|---|-------------------|
| Fund Balances of General and Special Revenue Funds as of March 31, 2005 | \$ 176,063 |
| Add: governmental capital assets as of March 31, 2005 | 131,467 |
| Deduct: accumulated depreciation as of March 31, 2005, on the above governmental assets | <u>(63,078)</u> |
| Governmental net assets, restated, as of March 31, 2005 | <u>\$ 244,452</u> |

REQUIRED SUPPLEMENTARY INFORMATION

VILLAGE OF SHERWOOD
SCHEDULE OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED MARCH 31, 2006

| | <u>Budget Amounts</u> | | <u>Actual</u> | Actual Over (Under) <u>Final Budget</u> |
|----------------------------|-----------------------|------------------|------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUE | | | | |
| Property taxes | \$ 17,327 | \$ 17,327 | \$ 17,649 | \$ 322 |
| Tax administration fee | 173 | 173 | 176 | 3 |
| Licenses and permits | 250 | 250 | 325 | 75 |
| State Shared Revenue | 32,000 | 32,000 | 33,210 | 1,210 |
| Charges for services | 350 | 350 | 750 | 400 |
| Interest | 150 | 150 | 170 | 20 |
| Village Hall rent | 2,550 | 2,550 | 3,100 | 550 |
| Park rent | 900 | 900 | 845 | (55) |
| Equipment rent | 9,650 | 9,650 | 9,552 | (98) |
| Refunds and reimbursements | <u>200</u> | <u>200</u> | <u>442</u> | <u>242</u> |
| Total revenue | <u>\$ 63,550</u> | <u>\$ 63,550</u> | <u>\$ 66,219</u> | <u>\$ 2,669</u> |
| EXPENDITURES | | | | |
| VILLAGE COUNCIL | | | | |
| Trustee salaries | \$ 2,000 | \$ 2,000 | \$ 1,674 | \$ (326) |
| Janitor wages | 450 | 450 | 404 | (46) |
| Payroll taxes | 188 | 188 | 147 | (41) |
| Workers' compensation | 80 | 80 | 81 | 1 |
| Supplies | 350 | 350 | 579 | 229 |
| Dues and subscriptions | 500 | 500 | 529 | 29 |
| Professional services | 500 | 500 | 340 | (160) |
| Insurance | 10,500 | 10,500 | 9,982 | (518) |
| Equipment rental | 85 | 85 | 81 | (4) |
| Transportation | 10 | 10 | 0 | (10) |
| Community promotion | 500 | 500 | 376 | (124) |
| Printing and publishing | 100 | 100 | 73 | (27) |
| Utilities | 2,500 | 2,500 | 2,297 | (203) |
| Repairs and maintenance | 750 | 750 | 141 | (609) |
| Miscellaneous | 150 | 150 | 100 | (50) |
| Capital outlay | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| Total village council | <u>\$ 18,663</u> | <u>\$ 18,663</u> | <u>\$ 16,804</u> | <u>\$ (1,859)</u> |
| PRESIDENT | | | | |
| Salary | \$ 1,236 | \$ 1,236 | \$ 1,668 | \$ 432 |
| Payroll taxes | 95 | 95 | 128 | 33 |
| Workers' compensation | <u>10</u> | <u>10</u> | <u>10</u> | <u>0</u> |
| Total president | <u>\$ 1,341</u> | <u>\$ 1,341</u> | <u>\$ 1,806</u> | <u>\$ 465</u> |

VILLAGE OF SHERWOOD
SCHEDULE OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND (continued)
FOR THE YEAR ENDED MARCH 31, 2006

| | <u>Budget Amounts</u> | | <u>Actual</u> | <u>Actual Over (Under) Final Budget</u> |
|-------------------------|-----------------------|------------------|------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| CLERK | | | | |
| Salary | \$ 6,180 | \$ 6,180 | \$ 6,180 | \$ 0 |
| Deputy salary | 85 | 85 | 0 | (85) |
| Payroll taxes | 480 | 480 | 472 | (8) |
| Workers' compensation | 22 | 22 | 25 | 3 |
| Supplies | <u>250</u> | <u>250</u> | <u>146</u> | <u>(104)</u> |
| Total clerk | \$ <u>7,017</u> | \$ <u>7,017</u> | \$ <u>6,823</u> | \$ <u>(194)</u> |
| TREASURER | | | | |
| Salary | \$ 1,669 | \$ 1,669 | \$ 1,669 | \$ 0 |
| Payroll taxes | 128 | 128 | 128 | 0 |
| Workers' compensation | 6 | 6 | 6 | 0 |
| Supplies | 200 | 200 | 111 | (89) |
| Professional services | <u>65</u> | <u>65</u> | <u>37</u> | <u>(28)</u> |
| Total treasurer | \$ <u>2,068</u> | \$ <u>2,068</u> | \$ <u>1,951</u> | \$ <u>(117)</u> |
| FIRE SERVICE | | | | |
| Fire contract | \$ <u>4,500</u> | \$ <u>4,500</u> | \$ <u>4,602</u> | \$ <u>102</u> |
| PLANNING/ZONING | | | | |
| Board - per diem | \$ 600 | \$ 600 | \$ 453 | \$ (147) |
| Administrator | 3,090 | 3,090 | 3,106 | 16 |
| Workers' compensation | 60 | 60 | 46 | (14) |
| Supplies | 150 | 150 | 16 | (134) |
| Professional services | 250 | 250 | 212 | (38) |
| Transportation | 150 | 150 | 88 | (62) |
| Printing and publishing | <u>50</u> | <u>50</u> | <u>0</u> | <u>(50)</u> |
| Total planning/zoning | \$ <u>4,350</u> | \$ <u>4,350</u> | \$ <u>3,921</u> | \$ <u>(429)</u> |
| PUBLIC WORKS | | | | |
| Salaries and wages | \$ 1,000 | \$ 1,000 | \$ 960 | \$ (40) |
| Payroll taxes | 76 | 76 | 76 | 0 |
| Workers' compensation | 35 | 35 | 36 | 1 |
| Supplies | 600 | 600 | 489 | (111) |
| Contracted services | 8,000 | 8,820 | 8,820 | 0 |
| Equipment rental | 0 | 0 | 52 | 52 |
| Transportation | 200 | 200 | 150 | (50) |
| Gas and oil | 600 | 600 | 1,471 | 871 |
| Utilities | 1,200 | 1,200 | 880 | (320) |
| Repairs and maintenance | <u>1,000</u> | <u>1,875</u> | <u>1,995</u> | <u>120</u> |
| Total public works | \$ <u>12,711</u> | \$ <u>14,406</u> | \$ <u>14,929</u> | \$ <u>523</u> |

VILLAGE OF SHERWOOD
SCHEDULE OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND (continued)
FOR THE YEAR ENDED MARCH 31, 2006

| | <u>Budget Amounts</u> | | <u>Actual</u> | <u>Actual</u> <u>Over (Under)</u> <u>Final Budget</u> |
|--|-----------------------|------------------|------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| STREET LIGHTING | | | | |
| Utilities | \$ 5,000 | \$ 5,000 | \$ 4,584 | \$ (416) |
| SANITATION | | | | |
| Refuse collection | \$ 1,000 | \$ 1,000 | \$ 768 | \$ (232) |
| Village clean-up | <u>2,200</u> | <u>2,200</u> | <u>2,039</u> | <u>(161)</u> |
| Total sanitation | \$ 3,200 | \$ 3,200 | \$ 2,807 | \$ (393) |
| PARKS | | | | |
| Salaries and wages | \$ 3,000 | \$ 3,000 | \$ 2,957 | \$ (43) |
| Payroll taxes | 230 | 230 | 204 | (26) |
| Workers' compensation | 50 | 50 | 65 | 15 |
| Supplies | 250 | 250 | 23 | (227) |
| Equipment rental | 175 | 175 | 177 | 2 |
| Transportation | 25 | 25 | 0 | (25) |
| Utilities | 200 | 200 | 258 | 58 |
| Repairs and maintenance | 600 | 600 | 632 | 32 |
| Capital outlay | <u>0</u> | <u>2,287</u> | <u>2,287</u> | <u>0</u> |
| Total parks | \$ 4,530 | \$ 6,817 | \$ 6,603 | \$ (214) |
| Total expenditures | \$ 63,380 | \$ 67,362 | \$ 64,830 | \$ (2,532) |
| REVENUE OVER (UNDER) EXPENDITURES | \$ 170 | \$ (3,812) | \$ 1,389 | \$ 5,201 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Operating transfers in | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| Operating transfers out | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| Total other financing sources (uses) | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| NET CHANGE IN FUND BALANCES | \$ 170 | \$ (3,812) | \$ 1,389 | \$ 5,201 |
| FUND BALANCES - Beginning | <u>55,896</u> | <u>55,896</u> | <u>55,896</u> | <u>0</u> |
| FUND BALANCES - Ending | <u>\$ 56,066</u> | <u>\$ 52,084</u> | <u>\$ 57,285</u> | <u>\$ 5,201</u> |

The accompanying notes are an integral part of this statement.

VILLAGE OF SHERWOOD
SCHEDULE OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
MAJOR STREETS FUND
FOR THE YEAR ENDED MARCH 31, 2006

| | <u>Budget Amounts</u> | | | Actual Over (Under) <u>Final Budget</u> |
|--------------------------------------|-----------------------|--------------------|------------------|---|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | |
| REVENUE | | | | |
| State shared revenue | \$ 30,000 | \$ 30,000 | \$ 29,994 | \$ (6) |
| Interest | <u>200</u> | <u>200</u> | <u>789</u> | <u>589</u> |
| Total revenue | <u>\$ 30,200</u> | <u>\$ 30,200</u> | <u>\$ 30,783</u> | <u>\$ 583</u> |
| EXPENDITURES | | | | |
| Street construction | | | | |
| Contracted services | \$ 0 | \$ 0 | \$ 15,299 | \$ 15,299 |
| Routine maintenance | | | | |
| Salaries and wages | 2,900 | 2,900 | 3,124 | 224 |
| Payroll taxes | 222 | 222 | 234 | 12 |
| Workers' compensation | 145 | 145 | 100 | (45) |
| Supplies | 800 | 800 | 1,403 | 603 |
| Contracted services | 57,000 | 57,000 | 85 | (56,915) |
| Equipment rental | 5,500 | 5,500 | 6,792 | 1,292 |
| Winter maintenance | | | | |
| Salaries and wages | 725 | 725 | 305 | (420) |
| Payroll taxes | 56 | 56 | 23 | (33) |
| Workers' compensation | 40 | 40 | 41 | 1 |
| Supplies | 250 | 250 | 230 | (20) |
| Equipment rental | 2,000 | 2,000 | 882 | (1,118) |
| Administration | | | | |
| Salaries and wages | 1,112 | 1,112 | 1,112 | 0 |
| Payroll taxes | 85 | 85 | 85 | 0 |
| Workers' compensation | 35 | 35 | 53 | 18 |
| Record keeping | <u>650</u> | <u>650</u> | <u>832</u> | <u>182</u> |
| Total expenditures | <u>\$ 71,520</u> | <u>\$ 71,520</u> | <u>\$ 30,600</u> | <u>\$ (40,920)</u> |
| REVENUE OVER (UNDER) EXPENDITURES | <u>\$ (41,320)</u> | <u>\$ (41,320)</u> | <u>\$ 183</u> | <u>\$ 41,503</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Operating transfers in | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| Operating transfers out | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| Total other financing sources (uses) | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> |
| NET CHANGE IN FUND BALANCES | <u>\$ (41,320)</u> | <u>\$ (41,320)</u> | <u>\$ 183</u> | <u>\$ 41,503</u> |
| FUND BALANCES - Beginning | <u>87,795</u> | <u>87,795</u> | <u>87,795</u> | <u>0</u> |
| FUND BALANCES - Ending | <u>\$ 46,475</u> | <u>\$ 46,475</u> | <u>\$ 87,978</u> | <u>\$ 41,503</u> |

The accompanying notes are an integral part of this statement.

VILLAGE OF SHERWOOD
SCHEDULE OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
LOCAL STREETS FUND
FOR THE YEAR ENDED MARCH 31, 2006

| | <u>Budget Amounts</u> | | <u>Actual</u> | Actual |
|--------------------------------------|-----------------------|-----------------|------------------|-------------------------------------|
| | <u>Original</u> | <u>Final</u> | | Over (Under) <u>Final Budget</u> |
| REVENUE | | | | |
| State shared revenue | \$ 7,000 | \$ 7,000 | \$ 7,079 | \$ 79 |
| Interest | <u>25</u> | <u>25</u> | <u>31</u> | <u>6</u> |
| Total revenue | <u>\$ 7,025</u> | <u>\$ 7,025</u> | <u>\$ 7,110</u> | <u>\$ 85</u> |
| EXPENDITURES | | | | |
| Street construction | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| Routine maintenance | | | | |
| Salaries and wages | 750 | 750 | 606 | (144) |
| Payroll taxes | 58 | 58 | 46 | (12) |
| Workers' compensation | 40 | 40 | 6 | (34) |
| Supplies | 200 | 200 | 162 | (38) |
| Contracted services | 1,000 | 1,000 | 260 | (740) |
| Equipment rental | 1,500 | 1,500 | 1,535 | 35 |
| Winter maintenance | | | | |
| Salaries and wages | 400 | 400 | 107 | (293) |
| Payroll taxes | 31 | 31 | 8 | (23) |
| Workers' compensation | 15 | 15 | 12 | (3) |
| Supplies | 50 | 50 | 7 | (43) |
| Equipment rental | 650 | 650 | 344 | (306) |
| Administration | | | | |
| Salaries and wages | 556 | 556 | 556 | 0 |
| Payroll taxes | 43 | 43 | 43 | 0 |
| Workers' Compensation | 10 | 10 | 26 | 16 |
| Record keeping | <u>100</u> | <u>100</u> | <u>100</u> | <u>0</u> |
| Total expenditures | <u>\$ 5,403</u> | <u>\$ 5,403</u> | <u>\$ 3,818</u> | <u>\$ (1,585)</u> |
| REVENUE OVER (UNDER) EXPENDITURES | <u>\$ 1,622</u> | <u>\$ 1,622</u> | <u>\$ 3,292</u> | <u>\$ 1,670</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Operating transfers in | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| Operating transfers out | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| Total other financing sources (uses) | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> |
| NET CHANGE IN FUND BALANCES | \$ 1,622 | \$ 1,622 | \$ 3,292 | \$ 1,670 |
| FUND BALANCES - Beginning | <u>6,751</u> | <u>6,751</u> | <u>6,751</u> | <u>0</u> |
| FUND BALANCES - Ending | <u>\$ 8,373</u> | <u>\$ 8,373</u> | <u>\$ 10,043</u> | <u>\$ 1,670</u> |

The accompanying notes are an integral part of this statement.

VILLAGE OF SHERWOOD
SCHEDULE OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
CAPITAL PROJECTS FUND
FOR THE YEAR ENDED MARCH 31, 2006

| | <u>Budget Amounts</u> | | <u>Actual</u> | <u>Actual Over (Under) Final Budget</u> |
|--------------------------------------|-----------------------|------------------|------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUE | | | | |
| Interest | \$ 185 | \$ 185 | \$ 298 | \$ 113 |
| Miscellaneous | <u>50</u> | <u>50</u> | <u>0</u> | <u>(50)</u> |
| Total revenue | <u>\$ 235</u> | <u>\$ 235</u> | <u>\$ 298</u> | <u>\$ 63</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Operating transfers in | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| Operating transfers out | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| Total other financing sources (uses) | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> |
| NET CHANGE IN FUND BALANCES | \$ 235 | \$ 235 | \$ 298 | \$ 63 |
| FUND BALANCES - Beginning | <u>25,621</u> | <u>25,621</u> | <u>25,621</u> | <u>0</u> |
| FUND BALANCES - Ending | <u>\$ 25,856</u> | <u>\$ 25,856</u> | <u>\$ 25,919</u> | <u>\$ 63</u> |

The accompanying notes are an integral part of this statement.

VILLAGE OF SHERWOOD
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
MARCH 31, 2006

NOTE 1 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

During the year, the Village incurred expenditures which were in excess of the amounts appropriated, as follows:

| <u>Fund</u> | <u>Description</u> | <u>Budget</u> | <u>Actual</u> | <u>Variance</u> |
|---------------|---|---------------|---------------|-----------------|
| General | Village Council - workers' compensation | 80 | 81 | 1 |
| " | Village Council - supplies | 350 | 579 | 229 |
| " | Village Council - dues and subscriptions | 500 | 529 | 29 |
| " | President - salary | 1,236 | 1,668 | 432 |
| " | President - payroll taxes | 95 | 128 | 33 |
| " | Clerk - workers' compensation | 22 | 25 | 3 |
| " | Planning/Zoning - administrator | 3,090 | 3,106 | 16 |
| " | Public Works - workers' compensation | 35 | 36 | 1 |
| " | Public Works - equipment rental | 0 | 52 | 52 |
| " | Public Works - gas and oil | 600 | 1,471 | 871 |
| " | Public Works - repairs and maintenance | 1,875 | 1,995 | 120 |
| " | Parks - workers' compensation | 50 | 65 | 15 |
| " | Parks - equipment rental | 175 | 177 | 2 |
| " | Parks - utilities | 200 | 258 | 58 |
| " | Parks - repairs and maintenance | 600 | 632 | 32 |
| Major Streets | Street construction - contracted services | 0 | 15,299 | 15,299 |
| " | Routine maintenance - salaries and wages | 2,900 | 3,124 | 224 |
| " | Routine maintenance - payroll taxes | 222 | 234 | 12 |
| " | Routine maintenance - supplies | 800 | 1,403 | 603 |
| " | Routine maintenance - equipment rental | 5,500 | 6,792 | 1,292 |
| " | Winter maintenance - workers' compensation | 40 | 41 | 1 |
| " | Administration - workers' compensation | 35 | 53 | 18 |
| " | Administration - record keeping | 650 | 832 | 182 |
| Local Streets | Routine maintenance - equipment rental | 1,500 | 1,535 | 35 |
| " | Routine maintenance - workers' compensation | 10 | 26 | 16 |

Bailey, Hodshire
& Company, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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September 6, 2006

To the Village Council
Village of Sherwood
Sherwood, Michigan

As a result of our audit of the financial statements of Village of Sherwood as of and for the year ended March 31, 2006, we would like to make the following comments and recommendations:

1. There were several accounts that had expenditures in excess of budgeted amounts. We recommend that the budgets be carefully reviewed prior to year-end and amended as necessary.

If we can be of assistance regarding these recommendations, please contact our office.

Respectfully,

Bailey, Hodshire + Company, P.C.
Bailey, Hodshire & Company, P.C.